

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

The Application of First)
Liberty Bank of Calvert City,)
Kentucky, Representative for)
Red Wing Utility Company,)
Inc., for an Order Authori-)
zing Adjustment of Rates for)
the Sewage Treatment Faci-)
lities Located In: (1))
Golden Acres, Marshall)
County (2) Gateway, Marshall)
County (3) Holifield Heights)
Graves County (4) Blandville)
West Estates, McCracken)
County (5) Green Acres, Mc-)
Cracken County (6) Field-)
mont Estates, McCracken)
County)

CASE No. 8168

ORDER

On March 9, 1981, the First Liberty Bank of Calvert City, Kentucky ("Bank") filed an application seeking a rate increase for certain sewage facilities owned by Red Wing Utility Company, Inc. ("Red Wing"). By an order issued October 31, 1980, in Case No. 7568, the Utility Regulatory Commission, predecessor to the Public Service Commission, invoked the third party beneficiary agreement ensuring the continued operation of the sewage utility, thus requiring the Bank, as Representative, to immediately begin to oversee the operation of Red Wing. That Order was based upon the terms of the third party beneficiary agreement and findings that Red Wing had not been prudently

managed or operated; that the accounts of Red Wing and Veach Plumbing Company were commingled and that the financial records which Red Wing had furnished the URC were unreliable and incomplete. The URC authorized a rate of \$15.00 per month per residential equivalent to be charged to Red Wing's customers.

Based upon rates of similarly-sized companies in the area, a major portion of the rate increase requested in Case No. 7568 involved principal and interest payments on a Small Business Administration ("SBA") loan of \$260,000 obtained by Red Wing's owners, Mr. and Mrs. Veach, without first having obtained authorization pursuant to KRS 278.300.

Since the final order was issued in Case No. 7568, a meeting was held at the request of the utility. Representatives from the Bank, Red Wing, SBA and the Attorney General's office attended the meeting and discussed various alternatives for resolving Red Wing's financial difficulties. One suggestion involved a group or groups of Red Wing customers acquiring the sewage facilities. A second option involved renegotiating the SBA Loan to provide for a longer repayment period. A third alternative involved transferring the sewage facilities to water districts providing service in Graves, McCracken and Marshall Counties.

It is this Commission's opinion that a prehearing conference of all persons interested in this rate application and

the various alternatives should be held.

IT IS THEREFORE ORDERED that a prehearing conference be, and it hereby is, scheduled on April 8, 1981, at 1:30 P.M., Eastern Standard Time, in the Commission's offices at Frankfort, Kentucky for the purpose of receiving information concerning any and all alternatives available to Red Wing Utility Company, Inc. for resolving its financial difficulties.

IT IS FURTHER ORDERED that the First Liberty Bank of Calvert City, Kentucky, Mr. and Mrs. Emmett Veach and Jerry Veach shall appear at the prehearing conference and be prepared to discuss all of the alternatives available to Red Wing Utility Company, Inc. for resolving its financial difficulties.

Done at Frankfort, Kentucky, this 13th day of March, 1981.

PUBLIC SERVICE COMMISSION

Charles M. Voth
Chairman

Katherine Randall
Vice Chairman

Don L. Lamm
Commissioner

ATTEST:

Secretary